

Massachusetts Water Resources Authority
Department of Telecommunications and Energy
Boston Edison Company, D.T.E. 01-108
Information Request: **DTE-4-01**
February 11, 2002
Person Responsible: Lee Smith
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Information Request DTE-4-01

In reference to the Testimony of Lee Smith at 3, please elaborate on the statement that the electric service provided to the Deer Island facility does not use Boston Edison's distribution system.

Response

BECO provides service to the MWRA's Deer Island facility under Rate WR over a 115KV cable from BECO's K Street substation, which is also served by a 115 KV line. The only plant utilized by BECO to provide service to the MWRA under Rate WR that is classified as "distribution plant" is the meter.

Information Request DTE-4-02

In reference to the Testimony of Lee Smith at 3-4, please:

- (a) list and describe the “facilities and maintenance costs” of the 115 KV cable;
- (b) provide for each item of costs described in (a) above the annual charges paid by MWRA to Boston Edison from 1997 through 2001;
- (c) state whether the costs listed and described in (a) above are separate and distinct from the charges under the Rate WR.

Response

(a) The “facilities and maintenance costs” referred to in the testimony as being paid by the MWRA in addition to Rate WR charges are the charges required under the 1990 Interconnection and Facilities Support Agreement between Harbor Electric Company (“HEEC”), BECO and the MWRA. A copy of this agreement is provided in response to DTE-4-06. The facilities covered by the agreement are described in Schedule A of the 1990 agreement and the charges to the MWRA are addressed in Article 7 of the agreement.

(b) Annual payments by MWRA to BECO between 1997 and 2001 under the 1990 Interconnection and Facilities Support Agreement between Harbor Electric Company (“HEEC”), BECO and the MWRA for cable facilities and maintenance costs were as follows:

Cable Capacity and O&M Payments (1997-2001)

Year	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Capacity	\$5,614,623	\$5,441,583	\$5,254,417	\$5,016,725	\$4,817,850
O&M	\$ 418,514	\$ 297,492	\$ 302,520	\$ 244,267	\$ 360,000
Total	\$6,033,137	\$5,739,075	\$5,556,937	\$5,260,992	\$5,177,850

(c) The payments under the 1990 Interconnection and Facilities Support Agreement between Harbor Electric Company (“HEEC”), BECO and the MWRA that are described in (a) above are separate and distinct from charges paid under Rate WR.

Information Request DTE-4-03

In reference to the Testimony of Lee Smith at 4, please: (a) elaborate on the statement that “the embedded generation costs in Rate WR were less than those other rates;” and (b) provide a schedule that compares the Rate WR embedded generation costs with the other rates referred to.

Response

The referenced statement refers to MWRA’s load shape. The MWRA’s load has averaged 66% of its energy during off-peak period (a higher percentage off-peak than if the load were flat across all hours), and MWRA load almost always peaks in spring and fall months. Generation costs were allocated by BECO based on the timing of usage. Usage, both energy and capacity, at peak times, was allocated more capacity costs than at off-peak times. Ms. Smith does not have in her possession any schedule setting forth Rate WR embedded generation rates.

Information Request DTE-4-04

In reference to the Testimony of Lee Smith at 6, please provide supporting schedules showing how MWRA determined that: “MWRA incurs fully one-third of its Boston Edison costs at Deer island”

Response

Below is a calculation of the ratio of the MWRA’s cable payments in to its total payments to BECO for service to the Deer Island facility. (The cable payments are for calendar year 2001 and the bundled Rate WR payments are for the 12 months prior to the November, 2001 purchase of generation from an alternative supplier. Previous years might have shown a slightly higher cable revenue percentage. The cable contract is cost of service based, so cable revenues normally decrease each year as the cable is depreciated.

Month	Year	Rate WR Delivery	Standard Offer	Total Rate Revenue
November	2000	\$ 151,562	\$ 485,596	\$ 637,157
December		\$ 146,529	\$ 484,282	\$ 630,810
January	2001	\$ 131,618	\$ 648,544	\$ 780,162
February		\$ 135,249	\$ 669,337	\$ 804,586
March		\$ 177,476	\$ 864,432	\$ 1,041,908
April		\$ 167,759	\$ 827,489	\$ 995,248
May		\$ 135,069	\$ 676,903	\$ 811,972
June		\$ 120,335	\$ 598,595	\$ 718,930
July		\$ 171,630	\$ 1,035,510	\$ 1,207,140
August		\$ 128,118	\$ 772,981	\$ 901,099
September		\$ 137,291	\$ 838,758	\$ 976,049
October		\$ 126,524	\$ 757,975	\$ 884,499
Total		\$1,729,159	\$8,660,402	\$10,389,560
<i>Cable Revenue 2001</i>				\$ 5,177,850
Total Revenues to BECO				\$ 15,567,410
<i>Cable Percentage of total</i>		299.44%		33.26%

Information Request DTE-4-05

In reference to the Testimony of Lee Smith at 6-7, please provide with supporting schedules the annual dollar and percentage discounts provided to MWRA from 1998 through 2001 if the costs associated with the delivery cable were included in the calculations.

Response

The attached tables shows the rate reductions that the MWRA would have received if its payments towards cable costs were included in the delivery service rate. I have calculated an average rate reduction for 1998 (based on 3 months without a rate reduction and 9 months with the required rate reduction). The total additional rate reductions that would have been received through December, 2001 are \$2.6 million.

Cable Capacity and O&M Payments (1998-2001)

Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>Total (98-01)</u>
Cap	\$5,441,583	\$5,254,417	\$5,016,725	\$4,817,850	
O&M	\$ 297,492	\$ 302,520	\$ 244,267	\$ 360,000	
Total	\$5,739,075	\$5,556,937	\$5,260,992	\$5,177,850	
Rate Reduction %	8%	12%	15%	15%	
Rate Reduction \$	\$ 430,431	\$ 648,309	\$ 789,149	\$ 776,678	\$ 2,644,566

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Information Request DTE-4-06

In reference to the Testimony of Lee Smith at 7, please provide supporting schedules and a copy of the contract used as the basis for the statement that MWRA “is required by contract to pay BECO a return on equity of 18.5 percent on the cable investment.”

Response

Schedule C (Determination of Annual Capacity Charge) of the 1990 Interconnection and Facilities Support Agreement between Harbor Electric Company (“HEEC”), BECO and the MWRA defined the “Annual Capacity Charge” that the MWRA is required to pay to HEEC to include “the Annual Return on Investment,” which, in turn, is defined as the product of the “Net Investment Base” times a “Cost of Capital Rate.” The Cost of Capital Rate is defined as eighty percent of the weighted average annual interest rate on outstanding debt securities and 3.70 percent together with a provision for income taxes on the 3.7 percent. A copy of the 1990 Interconnection and Facilities Support Agreement between Harbor Electric Company (“HEEC”), BECO and the MWRA is attached.

Information Request DTE-4-07

In reference to the Testimony of Lee Smith at 7, please provide a copy of the purchase and sale agreement for the 1994 purchase by MWRA from BECo of combustion turbines.

Response

Attached are copies of the following documents relating to the purchase by the MWRA from BECo of combustion turbines:

1. May 19, 1992 Backup Electric Generation Equipment and Support Agreement;
2. September 16, 1994 letter from BECo to MWRA enclosing invoice for \$21,655,190 as a partial billing under Backup Electric Generation Equipment and Support Agreement;
3. October 11, 1994 Amendment to Backup Electric Generation Equipment and Support Agreement; and
4. February 7, 2002, MWRA "Contract Card Report" showing invoices and payments made under the Backup Electric Generation Equipment and Support Agreement.

Although the Contract Card Report indicates that \$32,003,517.29 was paid under the Backup Electric Generation Equipment and Support Agreement, only \$28,994,649.08, covering eight of the vouchers (120573, 140176, 167016, 186488, 186445, 303640, 388495, and 388495), was paid in connection with the combustion turbine purchase.

Information Request DTE-5-01

In reference to the Testimony of Lee Smith at 10, 11, and at Attachment B, please revise the calculations in light of the Direct Testimony of Henry Lamontagne at 6, 7, and Attachment B.

Response

A revised version of the computation shown in Attachment B to Ms. Smith's testimony and addressed at pages 10 and 11 of that testimony is shown below:

	Revised BECO Rate 960	BECO Rate 974	MWRA Proposed WR Rate
Cost-based revenues			
Distribution charge		\$2,697	\$2,697
Transmission summer		\$147,055	\$147,055
Transmission winter		\$288,645	\$288,645
Energy efficiency		\$337,075	\$337,075
Renewables		\$101,123	\$101,123
	2002 Revenue based Exh. BEC-HCL-2		
Total revenue	\$1,817,097	\$3,071,628	\$1,817,097
Residual revenue (implicit CTC)		\$2,195,033	\$940,502
kwhs	134,830,042	134,830,042	134,830,042
Transition charge		0.01628	0.00698